

## Agenda Page 202, Item 6110-196-0001 Child Care—Income Eligibility Ceiling

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### **Current Child Care Eligibility Ceiling Frozen Since 2000**

- The statutory requirement that families remain eligible for subsidized child care until their income is 75 percent of the State Median Income (SMI) has been suspended annually in the budget act since 2000. The Governor's Budget proposes (Senate adopted) to continue this suspension for the budget year. This eligibility ceiling is roughly 60 percent of the current SMI (\$2,925 per month for a family of four) .
- Current family fee schedule: Families begin paying fees at two-thirds of the ceiling with a progressive schedule, (ranges from 2 percent to 7 percent of family income). Currently fees apply to families with incomes in the range of 40 percent to 60 percent of SMI.



### **Assembly Action Unfreezes Eligibility Ceiling**

- Removed BBL freezing the eligibility ceiling. This increases the ceiling to (\$4,031 per month for a family of four).
- Provided \$40 million (Proposition 98) to fund additional CalWORKS caseload in Stages 2 and 3 child care because more families would remain eligible for child care. Caseload costs are expected to grow in out years.
- Eliminated BBL requiring a child care working group proposed in the Governor's budget.
- Changed the incomes levels for which fees apply because the fees are currently linked to the eligibility ceiling.



### **Senate Adopted Governor's Budget**



### **LAO Compromise**

- Recommend Assembly action on the eligibility ceiling (increase to 75 percent of SMI).
- However, the Assembly action has the unintended consequence of reducing fee revenues (Department of Social Services estimates \$19 million) because the income levels for which fees apply would increase.
- Recommend the committee adopt TBL to maintain fees for all families currently paying fees (i.e., families with income at 40 percent of SMI or above).
- Revise BBL to establish a working group to discuss more comprehensive child care reforms.

## Child Care Income Eligibility—LAO Compromise BBL

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**Delete current provision 12 language and replace with:**

A work group consisting of representatives from the Administration, the Legislature, the State Department of Education, and the Legislative Analyst's Office shall consider: future income eligibility adjustments, the next regional market rate survey (in 2007), increasing the Standard Reimbursement Rate (SRR) in areas where the regional market rates exceed the SRR, linking reimbursement rates with quality of care, and maximizing expenditure of appropriated funds (including the distribution of growth and expansion funds for non-CalWORKS childcare). The work group shall convene its first meeting within 60 days of the passage of the Budget Act of 2006.